

Supermarket sale. Everything Must Go!

Rhys David looks at the wholesale sell-off of Britain's historic food brands.

Britain may have to rely on a Czech billionaire to keep the letters coming from Royal Mail; we may need the Chinese and French to design and build our nuclear power stations, and the French, Spanish, Swiss, Canadians and Germans to build locomotives for our railways; our big breweries are Danish, Dutch, Japanese or American, we may no longer have a civil airliner industry capable of building a whole aircraft, and our car industry is Indian, Japanese, French, and German. But those familiar every day brands on view when you open the kitchen cupboard, they are all still as proudly British as roast beef and Yorkshire pudding, are they not?

Wait a moment! The same process that has seen British manufacturing companies in other sectors line up to jump into the sea of foreign ownership has been busily at work in food, too. That rich tea biscuit you are dipping into your instant coffee from a well-known Swiss- or Dutch-headquartered company, is also gladdening hearts in Turkey where food group, Yildiz, is the owner of the biggest UK maker, United Biscuits. If you are eating Walkers Crisps with your pint of beer in a Greene King pub, then it's the American (Pepsi-Cola) and Hong Kong owners (CK Asset Holdings) respectively to whom the bottom line is answerable.

The process has been going on for the past few decades as successive Governments have declared Britain open for business, creating in the process what must now be one of the most intensively foreign-owned economies across all sectors among developed nations. Politicians of both parties have long argued that it can be a matter of pride that foreign purchasers so admire the British product portfolio they are willing often to pay over the odds for iconic brands or failing companies with an illustrious history.

Some result in battles with public opinion, such as the take-over of chocolate and confectionery maker, Cadbury, by Kraft in 2009 to bulk up its snacks operations so that these could be spun off into a separate company, Mondelez in 2012. Others pass by unnoticed. The biggest aggregates company in the world is an obscure (to the public at any rate) Irish company, CHP, with Tarmac, the construction materials and roadbuilding group, one of its key components in the UK.

Bizarrely, it has become almost more difficult to think of leading UK brands across the whole economy which **are** British owned than not so, with many companies in important sectors from public transport to building materials and infrastructure all answering to non-British owners.

Part of the rationale for joining the EEC back in 1973 was that with the decline of Imperial Preference, which in the past had tied Britain to low income New Commonwealth countries in the Caribbean, Africa and Asia and the relatively small population Old Commonwealth – Australia, New Zealand and Canada - and the ending of the cartel arrangements that had seen British companies, such as ICI, divide the world up with American counterparts, Britain was missing out on the opportunities that the much bigger and closer Continental market of 200 million people offered.

This was a market that had enabled the industrial giants of Germany and, to a lesser extent, France acquire much greater scale than their weaker British counterparts. UK companies, such as British Leyland, GEC, and the US and Japanese companies choosing Britain as a launchpad for European sales, would quickly grow, on this analysis, to match Bayer, Hoechst, BASF, Siemens, Daimler Benz, Volkswagen, Peugeot-Citroen and Renault, enjoying the fruits of restriction-free access to neighbouring markets.

In the 47 years of membership, however, it did not work out this way. British companies continued to be out-competed by their EEC, later EU, competitors, and regularly found themselves on the auction block. ICI, for a long time Britain's biggest manufacturer, was broken up from the 1990s onwards, its sole surviving limb re-emerging as pharmaceuticals business, Zeneca, later Anglo-Swedish Astra-Zeneca, the rest of the company being parcelled off and sold to AkzoNobel, Henkel, Norsk Hydro, DuPont and various other companies.

GEC (itself the product of a 1960s merger between three electrical companies, English Electric, AEI and the old GEC, all deemed at the time of Harold Wilson's white heat technological revolution to be sub-scale), became a telecommunications-focussed business, Marconi, in the 1990s, after the company's extensive defence interests had been merged with British Aerospace to form BAeSystems. The company staggered on through crises in the telecommunications business in the 1990s until 2006 when it was acquired by Swedish Ericsson and renamed Telent.

MGRover, the old British Leyland, after interregna with British Aerospace and Honda, was rescued by BMW but became insolvent in 2005. After Oxford-based Mini had been extracted, other parts of the business were acquired by two Chinese companies, one of which, SAIC, originally proposed keeping MG production at Longbridge in Birmingham. This idea was soon dropped and production of MGs, now a leading battery electric model that has begun to take an increasing share of the UK market, was resumed in China by its new owner, SAIC. The once-proud Rover name passed first to Ford and is now owned by Tata, the Jaguar Land Rover maker.

But to return to food, a product thought so indelibly tied to national tastes it could with some exceptions never cease to be nationally owned and manufactured. Surely, with distinctive national tastes - such as Marmite – the UK's food manufacturers would be a less appealing dish than, say, rolling stock and vehicle manufacturers, or electrical equipment makers, the products of which could be sold in global markets?

Evidently, not so. Sometimes overseas owners saw good new initiatives that could be replicated across international markets – for example, Innocent drinks and Costa coffee, and Hotel Chocolat, now parts respectively of the portfolios of Coca Cola, and Mars. Many more have simply fallen to hungry international food giants, anxious to sweep up products that looked tired or undervalued. Others saw the opportunity to tack on British products with distinct similarities to their own or to introduce what seemed to work in Britain to their portfolios elsewhere.

So just how deep is the penetration that overseas ownership has managed to achieve in the food cupboard? Let's start with breakfast. Kellogg's (corn flakes, et al) Quaker Oats, (porridge) and General Mills (Cheerios) are straightforward US companies that entered the UK market decades ago. Kellogg's soon to be closed factory in Trafford Park was opened 90 years ago. Their one-time British rivals, Weetabix and Shredded Wheat (Slogan: It makes Britons, Britons make it), are now also American, however, owned by Post Holdings of the US (also owner of Alpen) and Nestle, respectively.

The milk you pour on those cereals will probably come from British cows but the intermediaries that bring it to the doorstep may not be British. Mueller of Germany, also famous for its yoghurt dishes, acquired the Scottish dairy company, Wiseman Dairies, in 2012 for £279.5m and through its doorstep delivery arm, Milk & More, supplies around threequarters of a million homes. Today after its acquisition in 2015 of the milk operations of UK group, Dairy Crest, it accounts for one third of the UK's milk supply through its nationwide chain of processing plants. Earlier this year it acquired another British dairy group, Yew Tree Farm of Skelmersdale. There is another even bigger beast, operating Europe's biggest milk plant in Aylesbury, the Danish company, Arla.

Indeed, the top four spots in milk and milk products are held by overseas-owned companies, Arla and Mueller, followed by cheese and butter makers Ornu of Ireland and Saputo of Canada, the latter owning the Cathedral City, Utterly Butterly, Clover, Country Life and Yorkshire Wensleydale brands. These were acquired with the absorption of the remaining Dairy Crest assets in 2019. The leading British contender is now Yeo Valley Organic, a family firm in Somerset offering a range of organic yoghurts, milk, cheese, and ice cream, with a strong environmental commitment.

There is a good chance the toast that follows will come from Associated British Foods, part of George Weston, the Canadian company that owns Kingsmill, Sunblest, Allinsons, Burgen, plus Ovaltine, Dorset Cereals, Jordans and Ryvita, and the Silver Spoon sugar you are not supposed to heap too liberally on top of your cereals. Britain's biggest sugar manufacturer, Tate & Lyle, sold its sugar business to US rival American Sugar Refining in 2010 to transition into becoming what the UK company describes as "a speciality food and beverage solutions" business.

Wash it down with a cup of tea or coffee and you are again dipping into foreign-owned fare. Typhoo Tea, founded in Birmingham more than a century ago, has after a period of Indian ownership been acquired by UK venture capital firm, Zetland Capital, so may eventually be on the block again. PG Tips, Brooke Bond and Lipton are now in the portfolio of European venture capital house, CVC Partners, having been deemed in 2022 to be surplus to Unilever's requirements. Tetley is one of the brands owned by Indian conglomerate, Tata of India, and Weston is represented again through Twinning's and upmarket Jackson's of Piccadilly.

But first, what to spread on the toast. Perhaps as English as they come Frank Cooper's Oxford Marmalade? After several owners it is now in the stable of Hain Celestial of the US, which has taken a particular shine to British jams. It is also owner of Hartley's, and Keiller's, (the latter now produced for export only), Roses, Robertsons (of small and controversial metal lapel badge and Golden Shred fame), - and in soups, Yorkshire Provender. Chivers, once Britain's biggest maker of preserves, is now part of Ireland's Boyne Valley Group. Rowse Honey perhaps? Also, Irish owned.

British food producers have seen fit to quit jam as dated and declining, with an older clientele. One company has made a success of the UK market, however, thanks to an attractive gingham cover and polygonal jar. Family-owned Bonne Maman, which many British people will have first come across on visits to French supermarkets while on holiday, has swept past the multiplicity of US-owned British jam brands to become within a few decades the UK market leader.

Like jam, both sugar and tea have limited growth prospects, it could be argued, as concern mounts over obesity and as other drinks supplant Britain's once near universal beverage. This is hardly true of coffee, however, which has enjoyed such explosive growth around the world in recent years that even the Chinese are developing a taste and pushing up world prices as a result. Here, Swiss international food giant, Nestle, is the dominant force in the instant coffee market, and other Continental processors, especially Italian, are the main suppliers in beans and ground coffee. Left carrying the British torch for tea and coffee on the supermarket shelves is family-owned Taylors of Harrogate, also owners of the legendary Betty's tea shops.

As for the biscuits you might want to nibble with that mid-morning coffee then you may have to turn niche to stay British. Turkey's Yildiz Holdings is the repository where much English and Scottish biscuit history now rests, encompassing the brands which went to make up United Biscuits, namely McVitie's, Jacobs, Carrs of Carlisle and other brands such as Crawford's and McFarlane Lang. Huntley & Palmers, once the world's biggest maker with a huge but now closed factory in Reading, survives in

Suffolk as an online brand, while the smaller Fox's Biscuits and Burton's, of Jammy Dodgers and Wagon Wheels fame, have been owned since 2021 by Ferrero of Italy, proprietor, too, of Thorntons's.

Setting to one side the spirits-based brands (plus Guinness) within Britain's Diageo drinks combine, many well-known beverages have become part of overseas owned combines, too. Pernod Ricard of France, following its acquisition in 2005 of Allied Domecq (itself a merger of Allied Breweries, Lyons and Domecq), has Glenlivet, Ballentine's, Beefeater and other UK and international brands in its range. Suntory, the Japanese drinks group, owns not just Highland Cream, Teachers, and Laphroaig but Lucozade and Ribena, and Coca Cola is behind Schweppes as well as Innocent.

In the beerage, Greene King, which unusually still combines pub and restaurant operation with brewing, is Hong Kong owned, Bass comes under US Anheuser-Busch/Inbev, and Courage under CarlsbergMarston, until recently a joint venture 60 per cent owned by the Danish group but now to become a wholly-owned subsidiary. For good measure Britvic, maker of a range of fruit drinks, including Robinson's and J2O, and one of Pepsi-Cola's principal European bottlers, in July accepted a £3bn offer by Carlsberg for its shares. Fuller's is now Tokyo's pride, its London Pride brewed by Asahi. C&C of Ireland's portfolio includes Tennents and Bulmers Cider, and in water Perrier owner Nestle of Switzerland takes in Buxton Water, (the late Queen's drink), and UAE's Mahdi al Taj'r is responsible for Highland Spring. In a rare reversal, Brecon Carreg, owned by Belgian Spadel, since the 1980s, reverted to Welsh ownership in 2019.

If you like a nibble with your soft drink, beer, or spirits, that can be supplied by Germany's Intersnack, with its KP Nuts, and Tyrrells or McCoy's Crisps. Pepsi-Cola, of course, is the UK's biggest potato snack maker, courtesy of its long-standing ownership of the Walker's catalogue of potato-based snacks.

But what about that most basic of foods – meat? Surely still proudly British? Meat coming from farms is mainly sold under supermarket labels these days but must pass through abattoirs. Here ABP Foods of Ireland is one of the main operators, processing large quantities of UK beef and investing heavily in its UK plants, while the biggest processor of Welsh lamb is Dunbia, of Dungannon in Northern Ireland (admittedly, therefore, a UK company). The Northern Irish agricompany acquired the biggest Welsh processor, Oriel Jones a'l Fab, in 2001. Another Northern Ireland-based company, Moy Park, one of the UK's biggest chicken and other meat processors, (strangely part of the Courtaulds textile group until 1984) is now a subsidiary of Pilgrim's Pride of the US which also owns Richmond Sausages, which it acquired from Ireland's Kerry Group.

In fish the former Unilever staple, Bird's Eye together with Findus, are now owned by Conagra of the US, while Young's Seafoods, the Grimsby fish processor, is a recent acquisition of Sofina of Canada. In tinned fish, John West is part of the large Asian fisheries group, Thai Union, and in May this year it was announced that Liverpool-headquartered tinned food and drink group, Princes, is to be acquired by Italian based group, Newlat Food, from Japan's Mitsubishi Corporation, of heavy engineering and motor manufacture fame, for £700m.

The British love sauces to spice up their food, which the advocates of other cuisines have often accuse of being too bland. Here again overseas-owned food manufacturers have seen a good opportunity for expansion. HP Sauce, (that melange de haute qualite as the label used to say), was acquired by Heinz (now part of KraftHeinz) and manufacture moved from its historic home in Birmingham to the Netherlands. Even Lea & Perrins Worcestershire sauce, on the surface as quintessentially British as they come, is owned by the "57 varieties" specialist. Branstons is Japanese, part of the Mikzan group.

The days have, of course, long since gone when companies were defined by the products they invented and for decades the big groups have traded and exchanged brands with their competitors for supermarket shelf space to suit changing corporate strategies, often under the influence of new broom management.

Many of the brands released are the unwanted offspring of the big groups, such as Unilever, which are then snapped up by foreign entrepreneurs wanting to gain access to the UK market, or venture capitalists keen to effect a transformation, and re-sell at a significant profit. Unilever's acquisitions over the years include Knorr, Colman's, Hellman's and brewery by-product, Marmite, currently seen as among its core products. Another, the beef drink Bovril, goes back to the days when it owned Brooke Bond Liebig. Since 2017, however, there has been no place in its portfolio not just for Bird's Eye but for the margarine business which was one of its founding assets when predominantly fats-based Dutch van den Bergh and Jurgens merged with UK household cleaning giant Lever Bros in 1930.

Flora and its siblings Bertolli, I Can't Believe It's not Butter!, Pro-Activ and other non-butter spreads and plant-based alternatives have been reclaimed for the Netherlands by Dutch company Upfield, itself a subsidiary of American KKR, which bought the Unilever brands. Another core business within the group - Wall's - which under various brand names in different territories is the world's biggest maker of ice cream, having started out as a sausage maker, may now be available at the right price. Since the sale of its oils and margarine division, Unilever, one of the biggest FTSE companies, has become increasingly focused on its household cleaning and health and beauty products, such as heavily-promoted Dove soap, Lux, Comfort, Domestos, Persil and international brand, Omo. Ice cream has been deemed too seasonal to fit well.

So, which British-owned companies are left producing food British brands? With the disposal of many of its food businesses Unilever is no longer number one supplier, Canadian-domiciled Associated British Food owned by George Weston being probably the biggest company by value. (It also owns Dublin-based, Primark, the value-oriented European clothes retailer.)

Premier Foods, which has vacuumed up various products that seemed so quirkily British that Continental or US food manufacturer would be reluctant to take them on, such as Bisto the gravy browning, is defying the trend to emerge as a UK standard-bearer. The St. Albans-based company's brands include, apart from Bisto, Ambrosia rice pudding and custards, Angel Delight, Atora suet, Batchelors soups and dried products, Cadbury cakes (under licence from the brand's American owner, Bird's Custard, Homepride, McDougall's and Be-Ro flour, Loyd Grossman sauces, Lyons Cakes, Marvel milk powder, Mr Kipling cakes, Nissin noodle pots (under licence from Nissin of Japan), Oxo, Paxo, Saxa salt, Sharwoods, Smash instant mash potato and Vesta dried ready meals. It, too, has been an active trader of businesses. Few of these, however, seem likely to storm the world.

Then there are some smaller long-standing businesses, often in long-standing multi-generational family ownership, such as Yeo Valley, who insist on their independence. Baxters, the eponymous Scottish soup company, which also takes in Fray Bentos tinned meats, and some Mary Berry branded sauces and chutneys, is another.

There are thousands of food products, and this is only a representative sample of those that sound and feel British but are now brought to our tables by companies all round the world. It might, of course, be asked whether it matters who owns these British favourites (or pet dislikes depending on taste). It is a globalised world and if a food manufacturer in another country is happy to invest in purchasing, equipping, and modernising factories, finding the employees and managing the red tape

required to prove their products are fit for the public, or pass the requirements of export markets, well perhaps it is good luck to them.

The problem is that attachment to place is much less likely to be factored into company decisions when investment or modernisation decisions are being made by international groups. Though UK factories have been modernised, some products have been moved out of Britain and promises to keep plants open quickly broken. After complaints about the quality of flakes in their “99” ice creams, a few years ago, it transpired they were being made for Wall’s in Egypt where labour comes much cheaper than in Bournville. Look on the side of a packet of Polos, once one of the main products in Rowntree’s shopwindow – itself the subject of a hotly contested take-over by Nestle in the 1980s and they are now made in France. When there is capacity in other plants and the need to modernise a UK facility, it is often the latter that loses out.

Why, it might be asked, have British companies not managed to extend their reach into international markets and especially the Continent? Why are they so readily absorbed into rival manufacturers’ portfolios? To answer that question, you would also have to ask why the same has been true across all brands of manufacturing. The owners and managers of many of these companies appear to have lost the will for whatever reason to fight for market share with foreign rivals or to go out and acquire comparable assets in other countries. Life, it seems, is easier as a subsidiary of a bigger group elsewhere. The stress of managing is eased when someone else higher up in the organisation can make the key calls and take the blame when matters go wrong.

The transfer out of direct UK ownership of so many of these businesses, however, affects not only jobs and investment in new plant and equipment but can also have less noticeable impacts. Remote ownership, whatever promises are made at the time of purchase, means it is much less likely that research and development will remain in Britain in the long term, and it will produce other candidates for producer services such as consultancy, accountancy, and legal counsel nearer to home base, especially if this is in the US.

Nor can the disappearance of so many British companies into overseas-owned groups be divorced from the current problems of the London stock exchanges. The senior index has become dominated by mining and commodities, many headquartered elsewhere or with few operations in the UK, and other companies have been defecting to the New York Stock Exchange or Nasdaq where valuations are tantalisingly higher.

The junior Aim index has fewer clients than at its peak in 2015 – 747 compared with 1,104. This is hardly surprising when UK businesses instead of growing and graduating to the exchange are taken out either by international groups operating in the same field and seeking to grow by acquisition, or by venture capital houses, spotting good growth prospects or undervaluation.

In the food business and across a whole range of other business activities, and one could mention here building products, Britain is turning itself into an intermediate supplier developing the ideas, building the brands over many decades, and then going on to produce – in this case food items – that are part of the portfolios of wider international groups.

Many British companies, and not just in food, have effectively opted out of developing international businesses requiring high level management skills, and a mastery of production capabilities and distribution. Indeed, one of the latest areas of British abandonment appears to be logistics where several UK distributors, such as Wincanton, have been snapped up by global groups. Soon, we will not just no longer own the companies that supply our food brands – we’ll not even own the distributors that take them to the warehouses of the big supermarkets – another sector seemingly

Brands

impregnable until recent years but now having to accommodate two aggressive German entrants Aldi and Lidl, the former already having taken US-owned Morrison's fourth place in the supermarket league.

A share of the proceeds from every supermarket shop is going to the shareholders of the overseas companies that own so many of the food brands, even if they are mostly still manufactured here. There is little evidence that similar returns are coming from British-owned food brands in overseas markets, of which there are sadly very few. Nobody would argue that great things are not being done by artisan food manufacturers struggling to export their products, but they make a tiny contribution to food trade and overseas revenues. A lot of British services - our national specialty - from law and accountancy to tourism must be sold abroad to balance this mismatch in the UK's balance of payments.

The impact of the loss of strong regionally headquartered companies is evident in the poorer regions of the UK and in the disparity in wealth with London and the south east, where finance and other services fill the gap. The same outcome is on the cards for the UK as a whole if it becomes a medium skill, subsidiary management, branch-economy supplier of goods for overseas-owned businesses not just in food but across other sectors as well. This, however, is happening in the country which invented brands and at one time boasted serious competitors across a range of sectors. No amount of so-called levelling up will avail, as the existing examples of Wales, the north east and other regions suffering from a dearth of local big corporates able to offer a wide range of management and other opportunities, show.

The parties have given the nod to the need for industrial strategy in their manifestoes for the election and we are regularly told we need to grow more food and import less. The serious reduction in British ownership of British processed food products – a hidden element within the national accounts - should also be looked at and ways devised to ensure UK companies recover some of the ambitions they once held to compete in the ownership and supply of what we eat and drink (and much else).

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